EXHIBIT A

Transcript of the Testimony of **Matthew Morris, CFA**

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Case: Sokol Holdings, Inc., et al. v. BMB Munai, Inc., et al.

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You know, there are sometimes obstacles to unlocking the value of a project, such as ADE, you know, the significant up-front capital commitments, to bring it back to some specificity.

If the seller of Emir didn't have the resources to unlock the value of the field, I mean, then it's not worth as much to that person individually as it might be worth on an intrinsic basis.

Q. And if that seller lacked the resources and one way of finding someone with resources is to offer the price -- offer the project on the market, that would give you an indication of the value, wouldn't it?

MR. GOLDBERG: Objection as to market; vague.

A. It would give you -- it would certainly give you indications. Again, without being able to understand the circumstances behind them, I'm not sure how relevant they would be.

Q. (BY MR. MANNING) Because you just don't have the information?

A. Well, yes. I mean, I've not -- I've not looked at the circumstances surrounding those specific offers or proposed transactions or anything like that.

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Q. Do you have any background in petroleum evaluation, either identification of reserves or valuing reserves?

A. I have prepared -- not from a, you know, an engineering standpoint.

I have prepared valuations of -- of oil and gas exploration and production companies whose primary assets are reserves and have applied reserve multiples that were derived from transactions or comparable public companies in that regard, you know, from a -- from a financial standpoint in the context of valuing the company itself.

Q. And -- but you don't have any particular expertise with regard to valuing reserves, correct?

A. Well, I've performed valuations of reserves in that context. I'm not a petroleum engineer or a reserve engineer. You know, I don't --

Q. You don't second-guess what the engineer has given you as to whether those reserves are accurate?

MR. GOLDBERG: Again -- and I'm fine with the questions. If you could just let him finish his answer before you hit him with another one, I'd appreciate it.

A. Whether those reserves are accurate --

Q. (BY MR. MANNING) Yes.

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A. -- you mean the quantity of the reserves?

Q. Yes, whether the reserve estimate is accurate.

A. No, I don't have any particular expertise in determining the appropriateness or not of reserve estimates.

Q. On how many occasions have you valued oil and gas company -- exploration companies?

A. Oh, being from Texas we have our fair share. I would say somewhere along the lines of over the course of my career a dozen to 15.

Q. And at what stage of the development was the company being valued?

A. Most of them have been in the production phase. Some of them have been, you know, in the early -- early production phase. I can't recall -- I can't recall any specific instance in which I valued something that was significantly pre -- preproduction.

Q. You can't recall any instance where there was no production in any valuation you did?

MR. GOLDBERG: I'm sorry. Were you finished with your answer before Mr. Manning interrupted you?

THE WITNESS: I think so.

MR. GOLDBERG: Okay.

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A. I can't -- I can't recall. I can't say that I have, and I can't say I haven't. One doesn't come to mind, as I sit here.

But I've valued a number of oil and gas companies at various stages of their lifecycles, their reserve -- you know, when they've got different amounts or proportions of their reserves left and they're still drilling test wells or they're not and they're just bleeding off what they've got.

Q. (BY MR. MANNING) You would agree with me that as of the valuation date, BMB Munai had no production?

A. I believe that's accurate, yes.

Q. And would you call BMB Munai a startup?

MR. GOLDBERG: Objection, vague.

A. As of the valuation date?

Q. (BY MR. MANNING) Correct.

A. I don't know that I would characterize it as a startup. It was certainly preproduction. But there were a number of different -- you know, there would have been considerable progress made in putting together the plan to unlock the value of the ADE fields.

There was a -- you know, a potentially imminent and reverse merger and private placement, so,

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I mean, certainly to call them preproduction I think's fair. I don't know that I would necessarily consider them a startup in the classical sense of the phrase.
Q. Do you refer to a potentially imminent reverse merger?
A. Yes.
Q. And to what do you refer?
A. I believe it was the reverse merger into the Inner Union Financial, I think is the name of the shell, at BMB, ultimately -- that BMB ultimately merged into and became a public company.
Q. And when did that happen?
A. Oh, late 2003, seems to me like it was November or December, I believe.
Q. And do you know whether as of the valuation date, BMB had any revenue?
A. I don't believe that it did.
Q. And do you know how many employees it had as of the valuation date?
A. I recall reviewing various information sources, business plan, and few other documents in which there were several individuals named. I'm not sure if they were directly employed by the company or advisors. I really don't know that I have that specific information of who was an employee or not.

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Q. But the only information you have about the employees -- the number of employees comes from the BMB business plan?
MR. GOLDBERG: Objection, mischaracterizes the testimony.
A. Well, I believe that the -- as of the valuation date, that was a, you know, potentially relevant source of information. There may have been others that I reviewed, but that's the one that comes to mind.
Q. (BY MR. MANNING) Anything else come to mind?
A. Well, as I said, that's the one that comes to mind right now. No.
Q. Do you know whether it had any contracts?
MR. GOLDBERG: Objection, vague.
Talking about BMB?
MR. MANNING: BMB as of the valuation date.
A. Any contracts for what?
Q. (BY MR. MANNING) For anything.
A. For anything.
Well, certainly, there was -- there was the -- well, I'm not sure if it had contracts for anything at that point. No, I don't have any specific understanding. I don't believe I was provided any

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contract information.
Q. What's your definition of a startup?
A. I don't know that there is a particular definition. The way I think about it is a company that's very early on in its -- in its formation, trying to get a handle on its go-to-market strategy, business plan, things like that, things that were -- you know, there's obviously a considerable amount of uncertainty as to the value proposition of whatever product or service that they're selling, and that uncertainty needs to be resolved before, you know, it can kind of graduate out of the startup phase into something that's a little bit more defined.
Q. And your testimony, as you sit here today, is that, as of the valuation date, BMB Munai was not a startup?
A. Well, I don't think of it as a startup. I mean, there are reserves in the ground. You know, the go-to-market strategy for an oil and gas is pretty simple: You pull the oil out. You sell the oil.
So from that standpoint, there was a significant amount of the progress that had been made in developing the business plan, and there were expectations and understandings of the asset in place, the asset in question. So, yeah, I don't think I

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would characterize BMB as a startup; but, like I said, they were certainly preproduction at that point.
Q. And you said it's a pretty simple matter for an oil and gas company to go to market.
Do you know whether BMB Munai had any drilling rig?
MR. GOLDBERG: Timing?
MR. MANNING: Valuation date.
A. When I made that comment, it was conceptual. It wasn't from a practical standpoint. I'm not aware of whether they were actively drilling at that point or not or had access to rigs.
Q. (BY MR. MANNING) Do you know whether they had any contracts with any drilling company?
MR. GOLDBERG: Objection, asked and answered.
A. I do not.
Q. (BY MR. MANNING) There are various categories of reserves commonly used in valuation, correct?
A. Of oil and gas reserves?
Q. Yes.
A. Yes.
Q. And can you tell me what those are?
A. Typically, they've -- you know, as I -- as

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I've used them over the years, they fall into proved, probable, and possible reserves.
Q. And from what source does one derive the definition of proved, probable, and possible?
A. I don't know that I can give you a source. I can only tell you that based on my experience, those are the categories in which I typically think of reserves. I believe they were -- it's a very similar set of categories to what was used in some of the documents that -- that I reviewed as part of this matter.
Q. And what is the significance of being in one category or the other?
A. It's typical a spectrum of statistical probability of the ability to be able to extract the oil and gas in each one of those categories.
Proved reserves tend to be viewed as more -- more likely to be extracted and to be, you know, present than the probables, which are more possible than the possibles.
Q. And what is the impact of that categorization on value, on your valuation?
MR. GOLDBERG: Compound.
Do you want to ask one or the other? General or his?

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MR. MANNING: I asked him about his.
MR. GOLDBERG: Okay.
A. I incorporated information relating to multiples paid in transactions for both proved and proved plus probables. So to the extent that there is uncertainty baked into the prices that were paid, the multiples that I selected reflect that uncertainty.
Q. (BY MR. MANNING) Is there a particular multiple or ratio that you applied to proved reserves, as opposed to probable reserves?
A. Yes.
Q. What was that?
A. To proved reserves I applied a multiple of $2.40 a barrel.
Q. And you're referring to where?
A. Schedule F.
Q. How did you derive at $2.40 per barrel was the appropriate multiple for a proved reserve?
A. From the transaction and comparable company information in the pages immediately pre -- excuse me -- preceding.
Q. Is that the only source for the $2.40 multiple you used?
A. Yes, I believe so.
Q. And the proved plus probable you used a

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factor of a $1.39?
A. That's correct.
Q. That's also from Schedule F and also from the same source?
A. Yes, but there's that ratio that you were alluding to earlier of the probables being less certain. The pricing comes down to reflect that less certain extraction.
Q. And you don't include any poss -- value of any possible reserves in your valuation; is that accurate?
A. That's -- that's correct.
Q. And why is that?
A. The primary way by which the companies reported their reserves was either proved or probables. There wasn't a significant amount of information relating to possibles, or it was -- you know, I believe that's the reason, is I typically look at proved and proved plus probables.
Q. Do you know what the SEC reporting requirements are with regard to what category of reserves can be reported?
A. I don't know that I have a specific understanding of that. Just based on my experience, the ones that I've seen the most are proved and

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probables.
Q. In SEC filings?
A. Correct.
Q. You see both proved and probables?
A. Sometimes there have been instances. I believe there may have even been one here where we didn't have a -- we didn't even have a probable number in the SEC filing.
Q. In -- if you could here, help me out.
On Schedule F where does -- you derive the ratios and price for selected multiples from Schedule F from which schedule? Schedule G?
A. Schedule -- no, I believe it came from Schedule D.4 and Schedule E.
Q. Schedule D.4 and E?
A. Yes.
Q. Okay. Let's talk about those for just a minute.
What is the source for the total proved reserve numbers you have there for Chaparral, Transmeridian, and PetroKazakh?
A. Those figures either came out of their SEC filings or were reported in substantially similar form in Bloomberg, which is a database that I use that's pretty common.

A. Transmeridian, like BMB, was prerevenue. It was sustaining, you know, fairly significant expenses at the time compared to its cash position. For the 12 months ended June 30, 2003, it reflected an operating loss of nearly $3.9 million. It only had approximately 1.27 million in cash available on its balance sheet. And it had total debt of approximately $34.4 million, which was obviously a fairly sizable amount given its -- given that it was pre -- prerevenue without the ability to generate positive debt service.
Q. And do you know what that debt represented?
A. I reviewed the filings of all three of these companies in the context of looking at the cost of the debt. I don't know that I necessarily reviewed it with the idea of what that debt represented. I mean, any debt represents an obligation from the borrower to the lender, but...
Q. Did you finish?
A. Yes.
Q. Did the -- did it have a committed -- let me withdraw that.
Do you know what lines of credit Transmeridian had available to it at the time?
A. As I said, I reviewed the debt facilities in

the most recent -- I believe it was 10-K for each one of the companies. I don't recall specifically which debt facilities were characterized as what, whether they were notes or revolving lines of credit or, you know, senior subordinated debt lines. I'm not -- I can't recall, as I sit here.
Q. Did you consider that in your valuation?
A. Consider -- consider what and how?
Q. It's access to lines of credit and whether that was a truly comparable, comparable?
A. I didn't really consider that in the context of selecting the comparables, but I did consider that information in the context of calculating the discount rate that was used in the discounted cash flow analyses that I perform.
Q. And how did you do that?
A. I used one of the highest rates of debt -- debt rates that I could find in order to -- as a proxy for the debt cost that BMB or an asset, you know, similar to BMB would -- would find in the marketplace in going to get its debt financing for its capital structure.
Q. One of the highest rates was -- is that the 14 percent?
A. Yes.

Q. And was that what Transmeridian was paying?
A. I don't recall specifically what Transmeridian was paying. I did review all three of them, and I noted rates. I remember there was one that was at LIBOR plus 375 basis points or something like that, which is an incredibly low rate. I recall seeing some notes out there for one of the comparables at 9-plus percent, and then I saw bank facilities -- what I believe to be bank facilities that were at the 12, 14, 15 percent rate.
Q. And the basis upon which you selected 14 was what?
A. A review of the documents -- of the filings for the three comparable companies.
Q. Since you've got a wide range as you've described -- as you have described, how did you -- what factors led you to choose 14 percent?
A. Again, just as -- in an effort to be as conservative as possible in terms of selecting a high discount rate, which obviously drops the value of discounted cash flow analysis, I chose, you know, a rate of interest on the debt that was at the very top end of the range of the observations.
Q. That's the only factor?
Well, I think, at the end of the day,

there's got to be some relationship between the equity rate of return and the debt rate of return.
It's -- it's typical for debt rates of return to be -- for debt costs or interest rates to be lower than requiring rates of return for equity. And I believe that that number -- that 14 percent satisfies that relationship in my cost of capital calculation.
Q. Anything else?
A. No. Like I said, the -- the choice of that 14 percent was based, by and large, on a review of the -- of the debt rates for, you know, companies who had comparable assets.
Q. Go to schedule D.3 for me, would you, please.
A. Okay.
Q. Looking at the working capital percentage, can you explain for me what that -- what that row represents?
A. Working capital is generally defined as current assets minus current liabilities.
Q. Okay. That's the value represented in the row headed by WC?
A. Correct.
Q. And percentage revenue, what does that represent?

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A. That's the working capital, or the WC number divided by the most recent 12 months revenue for the comparables in this set.
Q. And what does NMF stand for?
A. Not meaningful.
Q. And why is the working capital percentage of Transmeridian not meaningful?
A. It's a -- it's a convention that I typically use when numbers are negative and don't -- it indicates that Transmeridian had negative working capital. It had higher current liabilities than it had current assets. It owed more than it was owed on current assets and liabilities.
Q. And therefore that's not meaningful?
A. The percentage would be not meaningful. I guess you could have -- you could have a negative percentage there.
Q. You have a pretty broad range here, a negative percentage to 36.1; and you select 10 percent, correct?
A. In the analysis -- in the second DCF analysis, yes; that's correct.
Q. How do you arrive at the 10 percent working capital percentage?
A. Simply an estimate based on, you know, a

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rough idea of the flow of receivables and inventory versus payables, the elements in working capital. It certainly is, you know, higher than Chaparral and Transmeridian, but lower than PetroKazakhstan.
Q. But how did you determine that it would be an appropriate assumption for valuing BMB that 10 percent is the working capital ratio?
A. Just based on -- like I said, just my -- my -- the idea of how the working capital items would fluctuate with revenue, and --
Q. Okay. So what -- be specific, if you would.
MR. GOLDBERG: Now you did interrupt him.
A. I believe I already said I just -- I thought about receivables, and, you know, how much inventory one might reasonably keep around and thought about what kind of payables or accrued expenses that BMB might be able to generate as a working capital offset; and 10 percent, based on the way I think about working capital and the information that I reviewed, seemed like a reasonable number.
There -- there was no specifically quantitative way that I went about choosing that number. It was more -- it was more of a conceptual approach augmented by, you know, looking at market data. And, again, at the end of the day, it was my

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attempt to be more conservative. The projections that were in the BMB business plan did not have a working capital investment component.
But, again, since the projection period is finite that the -- you know, whatever working capital investments are made are going to be ultimately returned over time, so it's kind of a zero sum game over the life of the projections.
Q. When you say it was conceptual, as opposed to -- I think you said specific, does that mean that you didn't do a calculation?
A. I attempted to investigate working capital for other oil and gas companies, but I couldn't find any -- I couldn't find any estimates that were consistently reliable with one another. And so the -- the calculation was based on just my general experience with -- with businesses and working capital and understanding or conceptualizing what kind of receivables the company might have to carry, what kind of inventory it might have to carry, offsetting that with the account of -- you know, the current liability accounts it might have available to it where it's got trade debt from its vendors and so on and so forth.
Q. And what kind of inventory did you determine that BMB would have to carry?

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A. I didn't -- I didn't allocate specific estimates for each one. I didn't do a working capital buildup. Like I said, the 10 percent is a conceptual, based in my experience in valuing companies, 10 percent of revenue working capital is -- you know, reasonable, and it certainly is within the range borne by the -- by the companies here.
Q. Can you identify any oil and gas company that you regarded as comparable with 10 percent when you were referring to your experience and drew upon the 10 percent?
A. Well, I --
MR. GOLDBERG: Objection, vague.
A. I believe I said just in valuing companies in general. I don't know that I necessarily drew on specific oil and gas experience for -- for that, versus just the general experience in the working capital that any operating company's likely to have to invest in.
Q. (BY MR. MANNING) You said that you investigated companies in the oil and gas industry?
A. Yes.
Q. Where is that reflected, that investigation?
A. Well --
Q. Is there anything other than here on this

Exhibit D.3?
A. No. I reviewed the information. I think it was a -- I did some Bloomberg searches where I was looking at working capital ratios for different oil and gas companies, but they were -- they were all over the map, so it was difficult to find any consistency with respect to that information.
Q. Did you record any of those searches, the Bloomberg searches that you were doing?
A. I don't believe so. I didn't find -- I didn't find the search useful, and therefore I didn't rely on them.
Q. So you found them all over the map and then arrived at 10 percent based upon what?
MR. GOLDBERG: Objection, asked and answered.
A. Again, my experience in valuing companies and understanding the working capital investments that companies typically would have to make and taking that information and comparing that against the information that I had specifically for the three comparables and seeing that that was within the range; and therefore it was likely to be reasonable, knowing that it's a -- it's really from a working capital perspective because of the nature of the forecast, it's a zero sum game.

What gets -- what gets invested in gets returned, so it's just kind of a shift around. Again, that was all in my efforts to add additional expenses that I didn't see in the original projections to look at the value of the company in the second DCF analysis as conservatively as possible.
Q. (BY MR. MANNING) When you say that it gets shifted around, does -- is it your opinion, then, that the working capital percentage does not have an impact on ultimate valuation?
A. Oh, it -- it would have some -- it would have some impact, but since it's a finite model, it's not going to necessarily have as much impact as it would in the context of doing a discounted cash flow model that had a finite projection period and then a -- some sort of a terminal value or perpetuity value calculation.
Q. For example, if you had used the PetroKazakh discount -- working capital percentage of 36 percent, what impact would that have on value?
MR. GOLDBERG: Could you say the last word again? I didn't hear it. You trailed off at the end.
Q. (BY MR. MANNING) If you were to use the PetroKazakh 36 percent working capital percentage,

what impact would that have on revenue -- on value?
A. On the value of the second discounted cash flow analysis?
Q. Yes.
A. It would -- it would have decreased the value.
Q. How much?
A. I'm not sure.
Q. No idea of the magnitude?
A. I can perform that calculation if you'd like; but, I -- as I sit here, I can't perform that calculation before.
Q. Do you have a calculator available to you that you could do that?
A. The model's 28 years long. I don't think there's any way I could conceivably recreate that in a kind of reasonable time frame.
Q. Okay.
A. I'd be happy to try if you'd like me to, however.
Q. Let's go back to D.4. I was asking you about the bases upon which these companies were comparable.
Do you know whether Transmeridian, as of the valuation date, had drilling contracts?
A. I don't recall.

Q. What about PetroKazakh? Now, we can look at the schedule where you report their assets, liability, and revenue.
In addition to what is reported on their assets and liabilities and revenue, as of the valuation date, what do you know about PetroKazakh?
A. Obviously, it's a significant -- it's a fairly significant concern. And in the context of oil and gas exploration production, I believed it also had some refinery assets, as I recall, that were in its portfolio at the time of the valuation. It was obviously the largest, most profitable and most stable of the three companies.
Q. How did you reduce the refinery assets or eliminate the effect of the refinery assets in the value?
A. I didn't -- there really -- I didn't see a very clean way to do that.
Q. So, in addition to the reserves, you've also valued the refinery assets in PetroKazakh?
A. It's embedded in the valuation -- the market valuation and therefore the reserves, which is why I certainly didn't select those numbers solely as evidence of value for purposes of valuing BMB.
Q. And what other assets did Transmeridian have

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other than its reserves?
A. I don't recall.
Q. And did you look at that?
A. I -- the one that -- the -- the -- of the three companies, the one that sticks out in my mind as having, you know, other assets outside the reserves was PetroKazakhstan. I don't recall specifically if Transmeridian or Chaparral had assets outside of the reserves and, if they did, what's those assets were.
Q. Do you know whether PetroKazakh had drilling contracts?
A. I would presume it had some contracts, some sort given the amount of revenue it was generating.
Q. Do you know whether those contracts had value?
A. Other than to say that the market was ascribing value to the corporation and presumably the contracts, I don't know specifically what value they would have had.
Q. Do you know how long PetroKazakh had been around?
A. It's my -- my general feeling that they were a fairly significant player and had been for sometime in the oil and gas industry in Kazakhstan.
Q. Do you know when BMB Munai was created?

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A. I'm not sure about the timeline associated with BMB. Obviously, they were pre -- preproduction, I think, as we've already spoken about; so it's not like they had been around for 15 years at that point.
Q. Less than a year?
A. It's possible, yes.
Q. Do you know if any of these companies had been around for less than a year?
A. I'm not specifically aware, no.
Q. What about Chaparral, do you know how long it had been around?
A. I'm not aware.
Q. Do you know whether it had value in any of its contracts, such as drilling contracts?
A. Well, I should say that actually I do know, because in order to do a trailing 12 months analysis, we would have had to have 12 months of filings, so they would have at least had to have been around a year.
Q. That wasn't true of BMB, though?
A. I'm not aware.
Q. Do you know whether each of these companies, Chaparral, Transmeridian, and PetroKazakh, had management in place at the time?
A. Other than to say they're generating revenue

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and therefore I would presume, I don't recall reading their filings with an eye towards understanding the -- the management in place or the employee base for each one of those companies, no.
Q. And other than the refinery assets in PetroKazakh, you're not aware of the other assets of any of these three; is that correct?
A. You mean of the other two -- or I guess the other three. Not specific, no.
Q. And you didn't do an analysis of that in determining whether they were comparable?
A. Well, I determined comparability based on operations in the oil and gas industry in Kazakhstan. To the extent that they had vertically integrated assets or assets outside of Kazakhstan, that didn't necessarily limit the comparability, in -- in my mind.
Q. Or assets outside of the reserves?
A. Well, I said vertically integrated assets; so upstream or downstream, assets, transportation, or refining, yes.
Q. Well, they could have assets in addition to vertically integrated, could they not?
A. Oh, that's very possible. They certainly have, you know, financial assets, you know, cash, and stuff like that. They could have other fixed assets,

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as well.
Q. And they could have lines of credit. They could have valuable contracts either to purchase or sell?
A. Lines of credit would be a liability; I mean, in the strictest sense of the word.
Q. Is -- having a line of credit is something that adds value to an enterprise, does it not?
A. Having access to capital, I think, is maybe the better way to say it, but yes.
Q. I stand corrected. I agree with you.
But it does add value, right?
A. It can, yes.
Q. And also having an operating history adds volume, does it not?
A. It can. There are certainly -- that's obviously not the case with somebody like Chrysler at the moment, but...
THE WITNESS: Do you mind if we take a very quick comfort break, or --
MR. MANNING: That's fine. Let's go off the record for a minute.
(Recess 11:48-11:55.)
Q. (BY MR. MANNING) If you would look at Schedules A.1 and A.2 in your report.